



An employee publication of the  
Texas Department of Criminal Justice

November/December 2012  
Volume 20 Issue 2

## Board Bulletin



Terrell McCombs, Member

## TDCJ Board for Lease generates revenue for State Treasury

*By Terrell McCombs, Board Member, Chairman of the Business and Financial Operations Committee*

The Texas Department of Criminal Justice (TDCJ) has extensive land resources that it utilizes to conduct daily operations, resources that have the potential to generate revenue without impeding operations. The leasing of TDCJ-owned property for the production of mineral resources from below the surface of the ground is the role of the TDCJ Board for Lease.

Established under the 2005 Texas Natural Resources Code, the TDCJ Board for Lease is authorized to approve mineral leases for the purpose of exploring and producing oil, gas and other minerals on TDCJ property. Proceeds from these leases are not specifically appropriated to TDCJ. The generated revenues are placed in the State Treasury and used to fund the state's budget requirements.

The board's membership is dictated by statute, as are its responsibilities and operations. The board consists of three members: the commissioner of the Texas General Land Office, who serves as the board's chairman; the Texas Board of Criminal Justice (TBCJ)

chairman; and a citizen member appointed by the governor. The chairman of the TBCJ is authorized to appoint a designee to serve on the board to represent the agency. The current members of the TDCJ Board for Lease are Jerry Patterson, Commissioner of the General Land Office; Matthew Demny, TDCJ Director for Agribusiness, Land and Minerals; and Wesley Lloyd, an attorney from Waco, whose law practice includes litigation and transactions involving oil, gas, water and environmental issues. Mr. Demny has served on behalf of the TBCJ chairman since October 2009.

The primary responsibility of the TDCJ Board for Lease is to approve and oversee the leasing of mineral holdings for energy and mineral development on TDCJ land. These leases are coordinated and managed by the General Land Office. The General Land Office is also responsible for performing preparatory work, such as planning, appraisal, and advertising for the bids, as well as writing contracts and closing transactions.

Once the Board for Lease determines there is a demand for a lease on a section of TDCJ land, the operational value of that tract or tracts is considered. If approved for lease, the land is placed on the market. Offers on the leases are accepted using a sealed bid during sales held by the General Land Office. The sealed-bid approach allows interested firms to make confidential offers for the right to explore a particular piece of property. Upon sale closure, the bid is awarded to the firm offering the highest up-front payment or bonus. Royalties are also considered in this bid process, with the agency typically receiving 20 to 25 percent of any production from the lease.

In calendar year 2011, TDCJ land holdings generated revenue of more than \$9.8 million through its oil and gas lease rentals, bonuses and royalties. These funds were promptly transferred to the State Treasury in accordance with the state's fiscal regulations. To date, figures for calendar year 2012 have already exceeded that amount by \$1 million.

*Continued on page 2*

*Continued from page 1*

Other than TDCJ, the Texas Parks and Wildlife Department is the only other state agency that has its own Board for Lease. This is due to the substantial amount of acreage owned by both agencies. Mineral leasing on all other state-owned property is managed by either the School Land Board or the Board for Lease of University Lands. Revenue from land leased by the School Land Board helps fund public education, while revenue from university land provides financial support to The University of Texas and Texas A&M University systems.

The TDCJ Board for Lease is relatively unknown outside the mineral and oil industry, but its work is invaluable to the state's economy. Making the most of state property by leasing mineral holdings benefits our state by generating revenue - revenue which helps fund programs essential to the health, safety and education of the people of Texas. ●